

Report title

Mechanical, Electrical and Plumbing (MEP) and Building Fabric Contracts – Contract Award

Report to

London Fire Commissioner

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Report by

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REPORT: NOT PROTECTIVELY MARKED
APPENDIX 1: OFFICIAL-SENSITIVE (COMMERCIAL)

Summary

The existing contracts for mechanical, electrical and plumbing (MEP) services and fabric services (which covers the main elements of the building such as roofs, floors, walls and doors) across the London Fire Commissioner's estate expire in November 2018. These services are required to maintain the Commissioner's estate and ensure the properties are fit for purpose and safe for occupation. The tender process was competitively conducted by the FM Integrator Kellogg, Brown and Root (KBR) and the contracts will be awarded to the bidders who offered the most economically advantageous tenders as outlined in the confidential Appendix 1 to this report.

Recommendation

That the London Fire Commissioner approves the award of the three contracts for mechanical, electrical and plumbing services and contract for fabric services, each for a period of three years with an option to extend for a period of two further years, to the preferred bidders for the sums as set out in the confidential Appendix 1 to this report.

Background

1. The existing contracts for MEP and fabric services were awarded in 2012 and are due to expire in November 2018. There are two contracts which include both MEP and fabric services - Engie for premises north of the river and Kier for premises south of the river.

Scope of Contracts

2. MEP services include:
 - a) mechanical systems including but not limited to air ventilation, air conditioning, heating and cooling systems, pumps and dehumidifiers;
 - b) electrical systems including but not limited to lightning protection, internal and external lighting systems, emergency lighting systems, call lighting, vehicle chargers and standby electrical generators;

- c) plumbing including but not limited to hot water system and cold-water system storage and distribution systems, sanitary appliance and toilet and drainage systems including waterless urinals;
 - d) surface and foul drainage systems;
 - e) catering equipment including but not limited to range cookers and grills, combination ovens, dishwashers, microwaves, cooker extraction hoods and ducting and hot water boilers;
 - f) renewables including but not limited to solar power (photovoltaic arrays), ground source heat pumps, combined heat and power boilers, wind turbines and solar hot water;
 - g) the building and energy management systems;
 - h) diesel storage and supply systems; and
 - i) fire protections systems including but not limited to firefighting equipment, fire detection systems, sprinkler systems and wet and dry risers.
3. Fabric services include roofs and gutters, balconies and canopies, walls and fences, driveways and yards, windows, doors (not including appliance bay doors), internal floor coverings and carpets, locks, deep lift pit and interceptor cleaning, safety systems (eyebolts and fall arrest equipment), external drainage, Lambeth pontoon fabric, drop down beds and radio mast inspections.
4. The services comprise of planned preventative maintenance which includes statutory testing and inspections and regular maintenance and servicing to ensure assets are maintained in a prime condition and reactive services which are repairs in response to breakdowns and faults. There are specified response times for reactive services according to the impact of the issue which are similar to the existing contracts and detailed in the table below.

Priority Category	Response Definition	Response	Rectification Time
Unavailability Category 0	A situation whereby conditions result in an inability for personnel and/or equipment to be mobilised from or maintained at, all or part of that site for the delivery of emergency fire functions. These are events that are causing, or have the potential to cause a catastrophe to business continuity or loss of life	Within two hours	Within four hours
Category 1	<i>This category is not used for this service. The KBR helpdesk use standard categories across their service contracts and customers and this category is used for other customers and service providers but is not relevant to these contracts.</i>		
Category 2	Events affecting business continuity or creating an immediate risk to safety of	Within four	Within one

	persons or integrity of the Employer's estate, plant or equipment	hours	calendar day
Category 3	Events creating the potential to affect business continuity or to create a hazard to persons, or is detrimental to the image of the Employer.	Within two calendar days	Within four calendar days
Category 4	Events which have no substantial impact on business continuity and do not create a significant immediate risk to safety, or only have a minor impact on the image of the Employer.	N/A	Within seven calendar days

Strategy for new contracts

5. The objectives for the services are:
 - a) Ensure a safe and operational site 24/7;
 - b) Deliver optimum planned preventative maintenance to the assets which maintains the assets at peak performance and prevents downtime;
 - c) Ensure delivery of a quality service to meet the performance requirements of the contract;
 - d) Ensure the estate is statutory compliant and a safe environment for all building/site/users through the provision of the services;
 - e) Provide the services to the estate to support operational functionality; and
 - f) Minimise disruption, inconvenience, and/or any business risk to the normal activities of the Brigade.
6. The existing contracts have not delivered as expected in terms of performance and compliance with the requirements and as a result the strategy for delivery of the services was reviewed and amended by KBR and LFC Property officers. A number of options were considered by officers in conjunction with market testing to ensure the correct strategy was adopted to achieve the objectives outlined above and ensure a successful re-procurement.
7. The sourcing strategy for the services was developed by KBR and collaboration with other public sector bodies was explored and considered. KBR investigated the options and recommended that prices were sought from the Mayor's Office for Policing and Crime (MOPAC) service providers for these services however the returns did not demonstrate value for money and the scope of services was not in line with LFC's requirements. It was therefore agreed that the services should be tendered competitively as a standalone arrangement.
8. The market testing consisted of approaching interested parties and outlining some of the key proposals for the contracts to ensure they were acceptable to the market and seek feedback on how the market would approach specific issues. A questionnaire was issued to gain a more comprehensive understanding of their business and seek feedback on KBR's proposed sourcing plan. The questionnaire focused on how the contracts were proposed to be split and procured,

operational capacity and capability to deliver, form of contract and performance monitoring and response and rectification times. 24 responses were received and the strategy was tweaked to ensure the procurement exercise would be successful and result in acceptable proposals.

9. The strategies that were proposed by KBR and considered by Property officers are outlined below along with their relative advantages and disadvantages:
 - a) A single contract for the full estate for both MEP and fabric services – This would result in lower procurement costs as only one contract is tendered and lower management costs but provides no contingency so was not considered a suitable option.
 - b) A number of smaller contracts for both MEP and fabric services segregated by geographical area – This could attract smaller suppliers (SMEs) and as a result achieve a more focused service and better performance but there was a risk it would not be attractive to the market due to the smaller scale and cost which could result in a failed procurement exercise. The cost of procurement and managing the higher quantity of contracts also had to be considered.
 - c) A number of smaller contracts for both MEP and fabric services segregated by specialism such as mechanical, electrical, renewables, fire, catering equipment and plumbing – The advantages and disadvantages are as outlined above but there was a further risk that the scope would not be clear between suppliers and certain issues could involve multiple suppliers and become complex.
10. As a result of considering these options and undertaking market engagement the strategy for the new contracts was determined. The strategy balances the issues outlined above to ensure the best result for the services.
11. It was determined by KBR and Property officers that the MEP and fabric services should be separated and let as individual contracts. This is a key change from the existing contracts but will ensure that both services receive the required focus and performance. In the existing contracts fabric services have often been subcontracted by the main suppliers which has resulted in a lack of control and quality concerns.
12. The fabric services would be let as one contract for the full estate. Although it is noted that this does not address the concerns about a lack of contingency outlined above, it was considered the best approach to ensure the scale of the contract was attractive to the market as there is limited planned preventative maintenance within this contract and the scope is much smaller than the MEP services.
13. The MEP services would be split into three contracts – one for north sites, one for south sites and one for core sites which is Union Street and Merton LOC. Union Street and Merton LOC were proposed to be split into their own contract due to the specialist equipment and different services required for those buildings. The north and south MEP contracts must be held by different suppliers to achieve contingency, but the core MEP contract could be held by an independent supplier or by the supplier with the north or south contract. This decision was taken to ensure the core contract was attractive to the market and the procurement exercise would be successful.

Contract Documents and Specification

14. In addition to reviewing the strategy for the contracts, the contract documents and specifications were reviewed thoroughly and completely redrafted by KBR and Property officers to ensure lessons learnt were included and to secure better performance from the new contracts. The following changes were incorporated into the new contracts and specifications to secure better performance for the services:

- a) The existing contracts included a comprehensive limit which meant all repairs under £1000 were completed as part of the fixed monthly fee at no additional cost to LFC. Although this strategy was expected at the outset to deliver a better service and cost certainty for LFC, in practice it discouraged suppliers from resolving issues and resulted in a number of performance issues. This comprehensive limit has therefore been removed from the new contracts.
- b) The level of resources (management team and operatives) provided by suppliers in the existing contracts has not been consistent and delivery of services has been adversely affected by this. In the new contracts the resources to be provided are clearly identified and changes cannot be implemented without prior LFC approval. Specialist contractors, such as for standby generators, renewables, fuel tanks and air conditioning, are also documented for all critical and specialist assets and cannot be amended without prior LFC approval.
- c) Key to these contracts is an accurate asset register which details the relevant assets across the estate to which the services should be delivered. It has historically been a challenge to maintain an accurate and comprehensive asset register for these contracts due to the assets changing regularly as a result of investment in the estate and reacting to breakdowns and issues. Considerable work has been put into ensuring the asset registers provided within the tender documents were accurate and comprehensive. As part of the contracts the suppliers will be expected to validate the asset register within the first six months of the contracts and they will then be agreed. Any updates to the asset registers will be controlled and documented.
- d) Critical spares being held in stock will assist with the resolution of faults quicker. The new contracts specify that the supplier must hold a stock of critical spares which will be agreed with Property officers. This will be established during the mobilisation phase and developed throughout the initial year of the contract term to ensure sufficient stock and the most appropriate items are held as critical spares. This is not formally in place for the existing contracts.
- e) For response times for reactive repairs the requirements have been refined to ensure the correct operatives are sent first time to prevent suppliers sending operatives just to meet the response time even if those individuals do not have the skills to address the issue. A quicker response for quotations has also been specified to ensure this process is more efficient than has been seen with the current suppliers.
- f) The specification for the services has been drafted to ensure the requirements are clear and detailed with more granular detail against each type of asset within the scope of the contract. The requirements for governance and management of the contract are detailed and will be put in place to ensure high performance standards are secured from the outset. Revised performance mechanisms have been included to ensure the supplier is incentivised to deliver to the required standards. The key performance indicators (KPIs) have been refined to include lessons learnt from the existing contracts such as the ability to apply deductions

more than once for a single issue if it has not been resolved by the next KPI monitoring period.

- g) The requirement for the planned preventative maintenance services has been developed and refined to ensure critical assets are maintained to the required standards and LFC priorities are recognised such as renewable technologies which are not stated as a priority in the existing contracts. The requirements for planned preventative maintenance for building fabric have been enhanced as this was lacking in the existing contracts. The current contract does not include any planned works for building fabric and is based on reactive services when an asset fails but the new contract includes regular inspections and planned services such as gutter clearance. This is essential to preserve the estate.
- h) The contract has been drafted to include the ability for LFC to step in to resolve performance issues with the suppliers, rectify the issue with an alternative supplier and reclaim any costs incurred from the supplier. This will enable performance issues to be addressed and gives LFC options in the event of the supplier not addressing a fault or issue at any premises. Termination provisions were also reviewed to ensure LFC has options if there are performance issues with the suppliers.

Management of New Contracts

- 15. Key to the success of the contracts will be the mobilisation period which will be managed closely by KBR and Property officers. A 12-week mobilisation period has been allowed for with the new services starting to be delivered from 1 December 2018. During mobilisation the suppliers will need to establish all required resources and sub contractors for the services and the planned preventative maintenance programmes will be agreed. Processes and procedures for all elements of the services will be put in place and LFB officers will ensure the required standards are fully understood. This period will be a key priority for Property officers and resources will be diverted to ensure it is managed thoroughly in conjunction with KBR.
- 16. A full audit programme, involving KBR and Property officers, will also be put in place once the services have started to be delivered to ensure the requirements are being complied with and the standards are being met. This audit programme will be more intensive during the first stage of the contract and will then be adjusted during the contract term once standards are confirmed to be achieved and working practices have been embedded.
- 17. The contracts will continue to be managed by KBR as part of FM Integrator contract who will oversee the contracts and take overall responsibility for the contracts and performance of the suppliers. The Supply Chain team in Property will manage KBR and ensure the contracts are managed effectively. Property will ensure this remains a key focus to make these contracts a success.

Procurement Process

- 18. The services were tendered by KBR using an open procedure in compliance with the Public Contracts Regulations 2015. The MEP services were tendered under three lots – one north, one south and one core (Merton LOC and Union Street). The building fabric services were tendered separately. No tenderer could win all three lots for MEP but the tenderer who won core could still win either the north or south lot.
- 19. The tender documents for both MEP and Building Fabric services incorporated a pre-qualification questionnaire to ensure only those suppliers that were of sound economic and financial standing, had adequate technical/professional ability, adequate insurances and health

and safety accreditations progressed to the evaluation stage. All tenderers passed the pre-qualification questionnaire.

20. The bids submitted were of high quality for all contracts with a good level of detail provided for the delivery of services. A number of clarifications were issued during the evaluation stage to the tenderers to ensure the requirement was fully understood and to ensure the tenderers could deliver fully in accordance with the specification.
21. A key consideration for the evaluation process was to ensure adequate resources in terms of management staff and operatives had been allowed by the tenderers to deliver the services. The preferred tenderers all allocated adequate resources to the contract to deliver the services.
22. Please see the confidential Appendix 1 for details on the results of the procurement process.

Financial Implications

23. Please see the confidential Appendix 1 for the details of the costs associated with the preferred bidders and budgets impact, identified as a result of the procurement process.

Next Steps

24. Once approval is provided to award these contracts, the result will be announced and following expiry of the standstill period the contracts will be executed. There will be a three month mobilisation period and the services will commence on 1st December 2018. The contracts with the existing suppliers will be extended to ensure there is no break in service delivery.

Finance comments

25. This report recommends that contracts for the MEP and fabric services are awarded for three years, with new services starting to be delivered from 1 December 2018. The confidential Appendix 1 sets out the anticipated financial pressure as a result of this. The impact in this financial year will be reported on as part of the 2018/19 Financial Position reporting, and the ongoing implications which will be considered as part of the budget process for 2019/20.
26. The report also notes that the reactive work figures are estimates at this time and may need adjustment following the first year of operations.

Workforce comments

27. There are no workforce implications.

Legal comments

28. General Counsel has reviewed this report and notes that the procurements have been carried out in accordance with the public contracts regulations, and the Commissioner's Scheme of Governance.

Sustainability implications

29. The contract will be procured in line with our Responsible Procurement policy including the application of employment and skills requirements.

Equalities implications

30. There are no equalities implications.

List of Appendices to this report:

Confidential appendix 1 – Procurement results and financial implications

